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Hertz **Press Information**

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'Gas,' Loan Rates Drop...

1982 NEW CAR OPERATING COSTS UP JUST 1-1/4¢ TO 44.67¢ A MILE, SMALLEST RISE SINCE 1976

Average costs for individual motorists to own and run typical new compact-sized U.S. cars in 1982 rose 1-1/4¢ a mile to 44.67¢, 2.9% above 1981, according to The Hertz Corporation's annual auto expense estimates issued today.

Bigger models climbed slightly more while sub-compacts advanced less, but increases were smaller than any year since 1976 as lower interest rates and reduced gasoline prices offset most gains in other driving outlays, the new report shows.

For 10,000 mile-a-year travel over five-year ownership, now most typical for new car buyers, the lease-rental company's latest study lists these per-mile figures for 1982 versus 1981:

...Subcompacts, 34.18¢, up 7/10ths of a cent or 2.1% over 33.47¢;
...Compacts, the most typical size, 44.67¢, 1-1/4¢ or 2.9% above 43.42¢;
...Mid-size models, 49.02¢, ahead 3.1¢ or 6.8% over 45.88¢;
...Intermediate-size makes, 50.69¢, a 2.9¢ or 6.1% rise from 47.79¢;
...Standard-size units, 52.31¢, 2.4¢ or 4.8% ahead of 49.9¢

The estimated expense of buying, owning and running typical private passenger cars has climbed some 174% since 1972, the last full year before the first Arab oil embargo, while the nation's overall inflation rate rose 129% in that same decade, the Hertz study noted. In just the past four years, auto expenses zoomed 63%.

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"American motorists continued to switch to smaller cars with fewer options and are keeping them far longer in an effort to curb the soaring expenses," the company's new report states. "And average annual per-car mileage is down 22% in the past 10 years."

As an example, Hertz said, a typical new car buyer has reduced outlays some 9.3¢ a mile--from an estimated 53.96¢ for an intermediate model kept three years to 44.67¢ for a compact kept five--by "down-sizing" the car and stretching out its use period. Driving less is saving another $271, or a total of $1202 a year.

Higher Purchase Prices Major Factor In Rise

The Hertz expense estimates include gasoline, oil and other service-station charges, tires, parts, repairs and maintenance, licenses, fees, taxes, insurance, loan interest (or interest lost on cash purchase) plus depreciation--the difference between a vehicle's purchase price and its anticipated resale value.

Excluded are garaging and tolls, which can vary widely from place to place and driver to driver; however, Hertz figures such charges could add 5-25¢ a mile to some motorists' expenses in larger cities.

The new car's purchase price is a key element in total ownership and operating costs, influencing depreciation, taxes, insurance, interest and often licensing and fees. For most motorists, fuel prices are secondary for normal travel.

The typically-equipped 1982 compact sold for an average of $8102, the Hertz study estimated, up $481 or 6.3% over $7621 in 1981. But higher used car resale values limited depreciation to a 1.4% rise -- 13.3¢ a mile against 13.1¢ in 1981.

Interest outlays fell fractionally as factory-subsidized loan rates offset the higher purchase prices. The 1982 interest outlay was 9.67¢ a mile against 9.69¢ in 1981. The category of insurance, licenses and fees was up 8% from 9.1¢ a mile to 9.8¢. These "fixed" or standing expenses totalled 32.75¢ a mile, 73% of overall 44.67¢ costs at the 10,000 mile-a-year travel level.

In the so-called variable or running-charge category, gasoline and other service-station charges fell 3.4% from 8.79¢ in 1981 to 8.49¢ in 1982, based on Hertz' estimate of $1.257 per gallon of (unleaded) gasoline, which itself was down from $1.365 in 1981. Maintenance and repairs rose 23.9% to 3.42¢ a mile from the previous year's 2.76¢.

Smaller Cars, Longer Use Produce Savings

The Hertz study shows that a motorist driving a sub-compact kept 10 years can save $33,180 over the course of a decade under what would be spent buying a standard-size car and trading it for a new one every year at 1982 prices, assuming 10,000 miles a year of travel.

Expenses for a standard-size model traded yearly total 59.53¢ a mile, or $59,530 for 100,000 miles over a ten-year period. But outlays for the sub-compact kept 10 years amount to just 26.35¢, or $26,350, the Hertz report shows.

Cost of a typical compact for one-year use came to 51¢ a mile in 1982, for three-year use, also at 10,000 miles a year, expenses dropped to 47.5¢, five-year ownership costs fell to 44.67¢ and for 10 years the average falls to 33.84¢.

These savings stem from the fact that the important depreciation expense is higher earlier, lower later. Too, loans are repaid and comprehensive insurance can be dropped, further lowering costs. Thus, even though maintenance rises in later years, it does not increase as fast as fixed costs drop, so overall totals decline.

Higher Annual Mileage Adds to Costs

High annual mileage can produce deceptively-low cents-per-mile expense figures--because fixed or standing costs such as insurance and interest are spread over greater distances each year--but heavy mileage sends the key dollars-per-year outlays soaring because of additional running expenses, the Hertz report shows.

For example, at just 5,000 miles a year cents-per-mile charges for the typical compact kept five years are 76.78¢ a mile and annual outlays $3839. For the 8,081 mile-a-year national average, per-mile charges fall to 52.23¢ but dollar expenditures rise to $4221. At 10,000 annual miles the 44.67¢ a mile charge comes to $4467 a year. At 15,000 annual miles, per-mile charges drop again, to 34.07¢ but annual costs jump to $5111, while at 20,000 miles annually the figures are 28.77¢ a mile, but $5754 a year.

Hertz points out: "The national mileage average for all cars is 8,081 and is 9,559 for the first five years. But for private cars only it is closer to 5,000 annual miles. Thus, cents-per-mile estimates using 15,000-25,000 miles per year of travel can mislead many motorists into thinking their costs are lower than they are."

Varying the annual mileages assumed, as at least one government study does, can make longer-term ownership seem costlier in cents-per-mile terms, also misleading motorists, Hertz said. The same is true if only 10- or 12-year ownership cost is given, since most new car buyers still do not keep their autos this long. The average age of all cars on the road is about seven years.

In 1972, the last full year before the first Arab oil embargo, the national per-car annual mileage average was 10,362, so today's 8,081 average reflects a 22% drop. In the early 1970's typical new car ownership lasted less than three years, but by 1982 the average was 5.1 years, Hertz nationwide polls show.

Report Shows Old 'Gas Guzzlers' Still Save Money

A special table in this year's Hertz report shows estimates of year-by-year outlays for a typical 1973 intermediate-size sedan purchased new for $3493 then, driven 10,000 miles-a-year and scrapped at the end of 1982.

Average cost for 100,000 miles of driving over the past 10 years is estimated to have been just 20.6¢ a mile, some 17.7¢ -- or 46% -- less than the 38.3¢ Hertz estimates a 1982 intermediate will cost, assuming no inflation, over the next 10 years.

The relatively-low expense for the old unit reflects early-year savings on depreciation, interest and insurance. But Hertz stresses that few cost contrasts can be precise because of vehicle changes over the years.

"Today's 'intermediate' model is a foot shorter and 600 lbs. lighter than the 1973 version, although at $9387 it sells for $5894 more," the report notes. "On the other hand today's model is undoubtedly more durable, safer and cleaner than its predecessor."

For the 1982 intermediate kept three years and driven 10,000 miles a year, the current cost of 54¢ a mile is 174% above the 19.7¢ for the intermediate of 1972 kept the same time and driven the same distance.

The per-mile intermediate outlay rose to 20.2¢ in 1973, went to 23.8¢ in '74, to 27.2¢ in '75, 28.1¢ in '76, 30.1¢ in '77, 33.1¢ for '78, 38¢ in '79, 44¢ in 1980 and to 50.9¢ in 1981, for a double-digit compound rate of increase of 10.6% a year for the decade.

'Good Old Days?'

The annual study also recalls that in 1925 three-year, 10,000 mile-a-year ownership and operation cost just 11.5¢ a mile. But the company points out this is equal to 62.9¢ a mile at 1982 inflation levels, some 16% above the 54¢ estimate for intermediate model three year operation today.

In 1925, the report says, average auto travel was just 5,835 miles a year, maintenance costs (in 1982 dollars) were triple current outlays, and cars 57 years ago lasted only some 50,000 miles -- roughly one-third of car life today barring serious accidents and unrecovered car thefts.

Lower Used Car Costs Reduce Overall National Average

The report stressed that the estimates reflect costs for cars purchased new, not for used cars which two out of three American motorists purchase. Depending upon age and mileage, used cars cost 15% to 50% less than new ones for similar ownership and operation, with the average about 40% under that of new cars.

In 1981, a Hertz estimate of total motor vehicle spending estimated the all-car nationwide per-mile average was 34.5¢ a mile for the 8,081 estimated mileage driven that year.

Besides the estimate of total motor vehicle spending and the yearly estimates of new car ownership and operating costs, Hertz also publishes estimates of city-by-city cost variations for 20-key U.S. metropolitan areas. Last year this estimate showed costs for similar driving varied by as much as 15.9¢ a mile among the cities.

The company also issues annual expense estimates for various sizes of trucks and vans and a report on the estimated size of the car and truck leasing and rental industry. All reports are available free to motorists who write the company, as is a guide to help individuals calculate their own actual passenger car ownership and operating expenses.

Says Hertz: "Vehicle costs can vary by such a variety of factors that each driver should calculate his or her own costs under their particular driving situation.

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TABLE 1

HERTZ ESTIMATES OF 1982 MODEL NEW PASSENGER CAR OWNERSHIP & OPERATING COSTS

Average cents - per-mile (& Total Annual Dollar) Expenses for Varying Years of Service, Mileage and Car Type

Use Years	'SUB-COMPACT' At Constant Miles Per Year		'COMPACT' At Constant 8081 M.P.Y.	'COMPACT' At Declining Annual Miles Averaging 8081 Over 10 Years			'COMPACT' Constant Miles Per Year				MID-SIZE	INTER-MEDIATE	STAN-DARD
											Each At Constant		
	10,000	15,000		M.P.Y.	¢P.M.	$P.Y.	5,000	10,000	15,000	25,000	10,000 Miles Per Year		
1	.3853¢	.2848¢	.6019¢ = $4864	12292	= .4346¢ = $5342		.9112¢	.5100¢	.3752¢	.2738	.5596¢	.5801¢	.5953¢
2	.3762	.2826	.5805 = 4691	11363	= .3993 = 5336		.8730	.4958	.3701	.2721	.5441	.5683	.5796
3	.3615	.2735	.5584 = 4513	10652	= .4529 = 4824		.8268	.4750	.3570	.2662	.5212	.5396	.5555
4	.3500	.2684	.5376 = 4344	9974	= .4573 = 4561		.7960	.4585	.3489	.2621	.5032	.5207	.5366
5	.3418	.2627	.5223 = 4221	9559	= .4596 = 4394		.7678	.4467	.3407	--	.4902	.5069	.5231
6	.3164	.2464	.4762 = 3848	9278	= .4320 = 4008		.6953	.4116	.3181	--	.4519	.4668	.4829
7	.2979		.4454 = 3599	9052	= .4126 = 3736		.6420	.3861	--	--	.4242	.4376	.4537
8	.2843	No	.4229 = 3418	8802	= .3993 = 3515		.6042	.3673	No Data Over		.4037	.4161	.4322
9	.2726	Data	.4026 = 3254	8500	= .3888 = 3305		.5696	.3511	100,000 Miles		.3861	.3976	.4137
10	.2635	Over 100M	.3866 = 3124	8081	= .3866 = 3124		.5441	.3384	--	--	.3723	.3831	.3992

NOTE: Above Costs Are Averages for the Varying Use/Mileage Periods; those below, right, are for each of the years.

HISTORICAL COMPARISONS NEW 'INTERMEDIATE' SIZE CAR EXPENSE ESTIMATES
At Estimated Varying Mileage Averages Each Year

Year	3-Year Average Annual Mileage	3-Year Use Cost Cents Per Mile	10-Year Aver. Annual Mileage	10-Year Use Cost Cents Per Mile	At Constant 10,000 Mile A Yr. Aver. 3-Yr. Use**	10-Yr. Use	**3-Year Use @ 10,000 MPY IN CONSTANT (1982) $
1925E	5835	16.9¢	Not Available		11.5¢	NA	62.9¢
1950	12771	9.3	9032	8.0¢	10.9	7.7¢	43.1
1960	13497	12.2	9545	9.8	14.4	9.5	46.6
1970	14267	14.7	10090	12.1	19.0	12.2	46.9
1971	14567	14.3	10280	11.9	18.7	12.1	44.3
1972	14652	15.1	10362	12.1	19.7	12.4	45.1
1973	13570	16.2	9597	13.4	20.2	13.1	43.6
1974	12300	20.7	8732	17.1	23.8	15.9	46.3
1975	12561	23.2	8901	18.9	27.2	17.7	48.4
1976	11885	24.8	9015	20.1	28.1	17.9	47.4
1977	12127	26.2	9199	20.8	30.1	20.0	47.6
1978	12082	29.1	9165	23.1	33.1	22.0	48.7
1979	11666	34.0	8850	28.7	38.0	26.4	50.2
1980	10841	41.5	8224	34.5	44.0	31.0	53.4
1981	10652	48.6	8081	40.8	50.9	35.9	56.3
1982	10652	51.5	8081	43.7	54.0	38.3	54.0

E=Estimated

CURRENT DATA 'COMPACT' CAR EXPENSES
Yearly Costs & Mileages for Various Ownership Periods (Not Averages for All Years as Listed Above.)

Use Yr. Mi.	At Constant 8081 MPY ¢P.M.	$P.Y.	At Listed Declinin Yearly Mileage Averaging 8081 MPY Miles	¢P.M.	$P.Y
1	.6019¢	=$4864	12292	= .4346	= $534
2	.5593	= 4520	10433	= .4675	= 487
3	.5140	= 4153	9230	= .4611	= 425
4	.4752	= 3840	7940	= .4746	= 376
5	.4611	= 3726	7899	= .4712	= 372
6	.2449	= 1979	7873	= .2637	= 207
7	.2609	= 2108	7696	= .2726	= 209
8	.2663	= 2152	7052	= .2814	= 198
9	.2402	= 1941	6084	= .2667	= 162
10	.2432	= 1965	4310	= .3482	= 150
Avg.	.3866¢	=$3124	8081	= .3866	= $312

NOTE: THIS TABLE, AND THOSE FOLLOWING, ARE FROM HERTZ' NATIONAL-AVERAGE STUDY ISSUED JANUAR 31, 1983

Table II

CENTS PER MILE BREAKOUT OF HERTZ OWNERSHIP & OPERATING COST ESTIMATES FOR SELECTED CARS @ 10,000 MILES PER YEAR
(AVERAGE EXPENSES FOR TOTAL YEARS OF OWNERSHIP)

Model Year	1982						1981					
Purchase Price	$8102			$9387			$7621			$8326		
Car Size	COMPACT			INTERMEDIATE			COMPACT			INTERMEDIATE		
Years Kept	3-Yrs.	5-Yrs.	10-Yrs.	3-Yrs.	5-Yrs.	10-Yrs.	3-Yrs.	5-Yrs.	10-Yrs.	3-Yrs.	5-Yrs.	10-Yrs.
Depreciation	17.55¢	13.29¢	7.94¢	20.34¢	15.39¢	9.20¢	17.78¢	13.11¢	7.47¢	19.43¢	14.32¢	8.16¢
Ins., Lic., Fees	9.80	9.80	8.43	10.36	10.36	8.92	9.07	9.07	7.80	9.41	9.41	8.10
Interest (P&L)	8.69	9.67	4.83	10.07	11.20	5.60	8.10	9.69	4.85	8.85	10.59	5.29
FIXED COST S-T	36.04¢	32.75¢	21.21¢	40.76¢	36.95¢	23.72¢	34.96¢	31.87¢	20.12¢	37.69¢	34.32¢	21.55¢
Maintenance	3.00¢	3.42¢	4.07¢	3.24¢	3.99¢	4.73¢	2.57¢	2.76¢	3.42¢	3.00¢	3.22¢	4.00¢
Gas & Other Svc. Stn. Expenses	8.46	8.49	8.57	9.71	9.76	9.86	8.76	8.79	8.88	10.20	10.25	10.37
VARIABLE S-T	11.45¢	11.91¢	12.64¢	13.20¢	13.74¢	14.59¢	11.32¢	11.55¢	12.30¢	13.20¢	13.47¢	14.37¢
FIXED & VARIABLE TOTAL	47.50¢	44.67¢	33.84¢	53.95¢	50.69¢	38.31¢	46.28¢	43.42¢	32.42¢	50.89¢	47.79¢	35.92¢

Model Year	1980		1979		1978	1977	1976	1975	1974	1973	1972	
Purchase Price	$6,454	$7,129	$5,079	$6,161	$5,578	$5,211	$4,864	$4,676	$3,934	$3,493	$3,425	
Car Size	Compact	Inter.	Compact	Inter.	Inter.	Inter.	Inter.	Inter.	Inter.	Inter.	Intermediate	
Years Kept	5-Yrs.	3-Yrs.	5-Yrs.	3-Yrs.	3-Yrs.	3-Yrs.	3-Yrs.	3-Yrs.	3-Yrs.	3-Yrs.	3-Yrs.	10-Yrs.
Depreciation	11.23¢	17.11¢	8.84¢	15.61¢	14.22¢	.1328¢	.1277¢	.1262¢	.1062¢	.0943¢	9.24¢	3.26¢
Ins., Lic., Fees	8.13	8.48	6.43	7.90	6.98	.0608	.0491	.0388	.0370	.0350	3.42	2.45
Interest	6.47	6.43	4.18	4.60	4.13	.0308	.0302	.0331	.0246	.0203	1.98	1.10
FIXED S-T	25.83¢	32.02¢	19.45¢	28.10¢	25.33¢	.2244¢	.2070¢	.1981¢	.1678¢	.1496¢	14.64¢	6.81¢
Maintenance	2.52	2.68	2.29	2.48	2.31	.0212	.0208	.0191	.0182	.0177	1.73	2.34
Gas & Other Svc. Stn. Expenses	8.07	9.29	6.81	7.40	5.48	.0551	.0531	.0546	.0520	.0344	3.37	3.30
VARIABLE S-T	10.59	11.97¢	9.10	9.88	7.79	.0763¢	.0739¢	.0737¢	.0702¢	.0521¢	5.10¢	5.64¢
TOTAL	36.42¢	43.99¢	28.55¢	37.98¢	33.12¢	.3007¢	.2809¢	.2718¢	.2380¢	.2017¢	19.74¢	12.44¢

YEARLY AND LIFETIME COSTS INTERMEDIATE-SIZE SEDAN BOUGHT NEW 1973, DRIVEN 10,000 M.P.Y. 10 YEARS, THEN SCRAPPED IN 1982

(Data From Hertz Cars Ownership & Operating Costs Studies Over Past Decade In Cents Per Mile)

TABLE III
Hertz Corp.1/'83

Car Purchase Price:$3493

Car Age In Years (Use Period) / Calendar Year	1 / 1973	2 / 1974	3 / 1975	4 / 1976	5 / 1977	6 / 1978	7 / 1979	8 / 1980	9 / 1981	10 / 1982	Ten-Year Average
Depreciation	10.48¢	7.55	5.12	3.30	1.97	1.30	0.94	0.64	0.64	0.36	3.23¢
Insurance, Licenses, Fees	3.50	3.70	3.88	4.91	4.62	5.04	5.70	6.13	6.79	7.48	5.13
Interest Paid & Lost	2.03	2.25	2.46	2.28	--	--	--	--	--	--	0.90
Sub-total Fixed or Standing Expenses	15.01¢	13.50	11.46	10.49	6.59	6.34	6.64	6.77	7.43	7.84	9.31¢
Maintenance, Repairs	1.54¢	1.98	2.19	2.52	3.02	3.51	4.02	4.87	5.28	5.81	3.47
Gasoline & Other Service Station Charges	3.40	5.52	5.59	5.98	6.36	6.79	9.08	11.46	12.26	11.77	7.82
Sub-total Variable or Running Expenses	4.94¢	7.50	7.78	8.50	9.38	10.30	13.10	16.33	17.54	17.58	11.29¢
TOTAL FIXED AND VARIABLE EXPENSES PER YEAR	20.95¢	21.00	19.24	18.99	15.97	16.64	19.74	23.10	24.97	25.42	20.60¢
AVERAGE COSTS FOR PERIOD HELD	20.95¢	20.98	20.40	20.05	19.23	18.80	18.93	19.45	20.06	20.60	
Annual Costs In '73 $	20.95¢	18.92	15.89	14.84	11.71	11.34	12.10	13.02	12.80	11.78	14.34¢
Average Costs In "73 $	20.95¢	19.94	18.59	17.65	16.46	15.61	15.11	14.85	14.62	14.34	--
First Year Costs In Each Year	20.95¢	25.50	29.18	30.24	32.43	34.94	40.14	46.59	54.57	58.01	
CENTS PER MILE DIFFERENCE KEEPING CAR VS. TRADING FOR NEW VEHICLE--YEAR 1.	--	4.50¢	9.94	11.25	16.46	18.30	20.40	23.49	29.60	32.59¢	

NOTE: Figures in this, and other, Hertz car ownership and operating cost studies reflect estimates for typical cars, typically-equipped, driven typical mileages and purchased by typical families buying NEW cars. Expenses for vehicles purchased used (as two out of three American motorists do) are materially less Insurance and interest costs have a material bearing on expenses and buyers should shop for these items as carefully as they shop for the car. The estimates do not include parking (garaging) or tolls and they assume maintenance is done as manufacturers specify by qualified mechanics using proper parts.

Table IV
National U.S. Averages

10-YEAR SUMMARY OF DOMESTIC AUTO SIZE CHANGES

CAR SIZE	'Subcompact'	'Compact'	'Mid-Size'	'Intermediate'	Standard
Example Model:	Escort	Fairmont	Granada	Thunderbird	Ltd.
1982 List Price	$5822	$8180	$9098	$9683	$9857
Wheelbase	94"	106"	106"	108"	114"
Overall Length	164"	196"	197"	200"	209"
Weight	2011 lbs.	2778 lbs.	2941 lbs.	3169 lbs.	3602 lb
Change vs. 1981					
Weight	+24 lbs., 1.2%	+54 lbs., 210%	-7 lbs., 0.2%	+21 lbs., 0.1%	No Change
Price	+$405, 7.5%	+$466, 6.0%	+$903, 11%	+$881, 10%	+$834, 9.2
Change vs. 1973					
Weight	-205 lbs., 9.3%	+521 lbs., 23%	-288 lbs., 9%	-609 lbs., 16%	-690 lbs. 1
Price	+$2880, 98%	+$5095, 165%	+$5396, 146%	+$5776, 148%	+$5610, 132
1981 List Price	$5417	$7714	$8195	$8802	$9023
Wheelbase	94"	106"	106"	108"	114"
Overall Length	164"	196"	197"	200"	209"
Weight	1987 lbs.	2724 lbs.	2948 lbs.	3167 lbs.	3602 lb
1980 Price	$6042	$6464	$7106	$7708	$8781
Overall Length	171"	196"	200"	200"	209"
Weight	2488 lbs.	2688 lbs.	3250 lbs.	3262 lbs.	3584 lb
1979 Price	$5004	$5370	$6265	$6738	$7793
Overall Length	169"	194"	198"	216"	209"
Weight	2449 lbs.	2682 lbs.	3249 lbs.	3910 lbs.	3611 lb
1978 Price	$4647	$5061	$5759	$6031	$6379
Overall Length	Same	Same	194"	216"	224"
Weight	2425 lbs.	2748 lbs.	3349 lbs.	4056 lbs.	4266 lb
1977 Price	$4352	$4542	$5444	$5634	$6036
Overall Length	Same	187"	Same	Same	Same
Weight	2443 lbs.	2999 lbs.	3462 lbs.	3981 lbs.	4414 lb
1976 Price	$4061	$4321	$5089	$5263	$5627
Overall Length	166"	Same	Same	214"	Same
Weight	2562 lbs.	2980 lbs.	3343 lbs.	4137 lbs.	4451 lb
1975 Price	$3622	$4230	$4979	$5089	$5515
Overall Length	166"	Same	Same	218"	Same
Weight	2581 lbs.	2891 lbs.	3243 lbs.	4258 lbs.	4502 lb
1974 Price	$3304	$3518	$3857	$4257	$4870
Overall Length	166"	Same	194"	215"	222"
Weight	2443 lbs.	2852 lbs.	2964 lbs.	4038 lbs.	4302 lb
1973 Price	$2942	$3085	$3702	$3907	$4247
Wheelbase	94"	Same	109"	118"	Same
Overall Length	165"	Same	194"	212"	220"
Weight	2216 lbs.	2257 lbs.	3229 lbs.	3778 lbs.	4292 lb

NOTE: Size classification terminology is arbitrary. Different model names previously used.
Optional equipment ordered by majority of buyers.

DETAILS OF 1982 COST CALCULATIONS BY HERTZ

1. Models Used: Escort (sub-compact), Fairmont (compact), Granada (mid-range), Thunderbird (intermediate) and LTD (standard). List prices are on attached sheets. Discounts are assumed as follows: Sub-compact, 5%; compact, 6%; mid-range, 7%; intermediate, 8%; full-size, 8%. Assumed sales tax is 5.375% for all units, producing the following purchase prices: Sub-compact, $5828 compact, $8102; mid-range, $8916; intermediate, $9387; full-size, $9452.

2. Depreciation rates are averages. (Rates may vary widely from year to year or model to model, but over an extended period the rates have been fairly consistent.) 1 year, 28%; 2 years, 50%; 3 years, 65%; 4 years, 75%; 5 years, 82%; 6 years, 86%; 7 years, 90%; 8 years, 94%; 9 years, 96%; 10 years, 98%. Extremely high or low mileage each year will also produce depreciation rate variations. NOTE: No inflation assumption is made and this will significantly alter costs for longer-term ownership in times of high inflation. However, inflation will also contribute to higher future new car purchase prices, so depreciation in effect is simply "postponed." Special table shows 1973 model 10-year expenses, reflecting the automotive inflation of the past decade.

3. Insurance is based on $250,000/$500,000/$50,000 rates with $500 deductible comprehensive. (Deductible has risen over the years.) Assumption is that full insurance is retained for duration of car loan, then, if car is kept longer, comprehensive is dropped, only liability retained. Typical four-person family-coverage assumed, including one male in-experienced driver.

4. Interest. For ownership period up to five years, car loan is assumed to be for a period equal to ownership -- e.g. three year loan for three year ownership, five year loan for five year ownership. For use periods over five years, five year loan is assumed. (In past years, when five year loans were not available, four year maximum was used.) Financing of two-thirds of purchase price is assumed in all cases, one third cash down-payment assumed, with interest lost assumed for period of loan, not for full ownership period if over five years. Interest rates assumed monthly payments, quarterly compounding as follows: 1 year, 15.125% paid, 13% lost; year 2, 15.125%, 13%; year 3, 15.125%, 13%; year 4, 15.375%, 13%; year 5, 15.5%, 13%. Interest rate and insurance premiums materially affect costs; shop hard for both.

5. Fuel Efficiency and Maintenance Costs are based on Hertz estimates, not on data from government agencies or manufacturers or industry groups. The estimates do not reflect Hertz costs since the estimates in the study are intended to provide individual motorists a basis for calculating their own costs for personal pleasure travel. The Hertz study costs do assume full, complete and proper maintenance which some motorists may not perform. Nevertheless, slight reduction in fuel efficiency is assumed in calculating gasoline charges in later years. Maintenance is assumed to be done professionally.

6. Excluded from the costs are tolls and garaging since these items can fluctuate widely from place to place and can fluctuate even within the same general geographical areas depending on driving patterns and routes. These charges are, however, almost never "nothing." If a car is parked in the owner's garage, technically the pro-rata cost, based on the size of the garage, should be counted. If car costs are being calculated, expenses should be properly allocated. Without a car, a garage wouldn't be needed. Tolls also make a substantial difference. Two next-door neighbors commuting equal distances to work by different routes might spend 2-5¢ a mile over 10,000 miles of annual driving as a result of tolls. Major-city, mid-town parking could add 5-25¢/mile.

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7. Calculations are for typical cars, typically equipped, driven typical yearly mileages and kept typical periods. Major options ordered by most buyers are included, such as automatic transmission, power steering and brakes and air conditioning. But, for example, on a sub-compact, automatic transmission and air conditioning are not included, because most cars this size are not ordered with these options. And, as noted below, typical mileage and typical use periods are assumed, but other mileages and other use periods are given to illustrate the substantial cents-per-mile and dollars-per-year cost variations different annual mileage and different use periods can produce.

8. Key cost estimates are expressed both in cents-per-mile and dollars-per-year. Many drivers prefer cent-per-mile estimates for tax and employee/employer reimbursement estimates, but dollars-per-year is the key figure. Tables illustrate that high assumed mileage each year produces substantially lower cent-per-mile expenses, since the so-called fixed or standing costs such as insurance, taxes, licensing and interest are spread over a greater number of miles each year. Example: compact car driven 10,000 miles a year produces a 45.85¢-a-mile average over a four-year period and a $4585 annual dollar expenditure. At 15,000 miles a year, per-mile costs drop to 34.89¢, but dollar outlays rise to $5234 annually. At 25,000 miles a year, cent-per-mile expenses fall to 36.21¢, but annual dollar costs soar to $6552. Studies expressing costs in terms of high assumed mileage, can be misleading. The estimated overall national average mileage for 1981 was just 8081. At that mileage, the four-year average cost per-mile for the compact rose to 53.76¢, but yearly outlays dropped to $4344. At just 5,000 miles a year, costs were 79.60¢ a mile, but just $3980 a year.

9. Some studies indicate that the mileage of a new car is highest in its earlier years and drops annually as the car ages. Therefore, some other cost estimates in the past have presented cost-per-mile estimates on the basis of such declining mileage assumptions. Such presentations also can be misleading since they mask the fact that longer ownership of a car normally reduces both the cents-per-mile and dollars-per-year, as does purchase of a used car. This is because depreciation for most domestic cars is higher in first years, lower later. Keeping a car after a loan is repaid results in lower average interest; also, some insurance can be reduced. Thus, even though maintenance costs rise in later years, often sharply at high mileages, the overall average cost usually falls each year the car is kept (although in later years the yearly outlays do rise). Since these later-year expenses are usually so far below the overall average, the overall expense average continues to drop.

10. The Hertz study illustrates why expenses should always be UNDERSTOOD in terms of dollars-per-year even when EXPRESSED as cents-per-mile. The table for the compact shows that at a constant 8081 (nat'l average) miles a year, average expenses for the length of years the car is kept drop from 60.19¢ a mile and $4864 a year for new cars traded annually, down to 38.66¢ a mile (and $3124 a year) if a car is kept 10 years. However, if mileage drops each year, at the ratios indicated in at least one government study, the cent-a-mile expenses are "flattened" to just 43.46¢ a mile for 12,292 miles the first year, 47.12¢ for 7899 miles the fifth year and 34.82¢ for just 4310 miles the 10th year. The study also lists the yearly cost and mileage figures for the compact, in addition to the average for total years the car is kept, showing the drastic cost drop after loan repayment and insurance cutback.

11. All costs are expressed in terms of the dollars current for the year given, e.g. 1982 costs are in 1982 dollars. However, Hertz has adjusted key year figures for past model yrs. to reflect what those costs would have been in 1982 dollars and cents. Inflation, of course, will alter future figures and, especially for longer term use such differences might be significant if inflation rates are high. In general, depreciation will be somewhat lower, all other categories higher and over all expenses higher with inflation.

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